



**United States Department of Justice
United States Attorney's Office
District of Minnesota**

Rachel K. Paulose, United States Attorney

Jeanne F. Cooney, Director of External Relations
(612) 664-5611; after hours, (651)757-7567

News Release

FOR IMMEDIATE RELEASE
Wednesday, August 1, 2007

Prior Lake Man Sentenced to Federal Prison for Operating Illegal Internet Pharmacy

Minneapolis - Christopher William Smith, the owner of Xpress Pharmacy Direct, an Internet business, will spend the next 360 months in federal prison for operating an illegal online pharmacy. Smith, age 26, of Prior Lake, Minnesota, was sentenced by United States District Court Judge Michael J. Davis earlier today in Minneapolis. Following a six-week jury trial that ended in November of 2006, Smith was convicted of one count of conspiracy to distribute and dispense controlled substances, three counts of unlawfully distributing and dispensing a controlled substance, three counts of introducing misbranded drugs into interstate commerce, one count of conspiracy to commit money laundering, and one count of operating a continuing criminal enterprise.

After today's sentencing, United States Attorney Rachel K. Paulose said, "With the growing power and popularity of the Internet, we also have seen a rise in online pharmacy fraud. Christopher Smith and his co-defendants made millions of dollars at the expense of the health and well being of

(MORE)

people around the world. Today's sentence should serve as a warning that those who manipulate the Internet for illegal purposes will be held accountable for their crimes.”

According to court documents and trial evidence, Smith sold controlled substances and other prescription drugs to customers who failed to possess legitimate prescriptions. Those controlled substances included hydrocodone, an addictive prescription painkiller. Smith solicited orders through the use of spam emails, Internet web sites, and telemarketing call centers located in the Philippines; the Dominican Republic; Montreal, Canada; and Burnsville, Minnesota.

When customers contacted Xpress Pharmacy Direct, they were asked to complete a questionnaire. On that questionnaire, they outlined their medical conditions and chose the types and quantities of controlled substances and other prescription drugs they wanted to purchase. Once clients placed their orders, Dr. Philip Mach, a physician and co-defendant in this case, reviewed the questionnaires. Without verifying medical conditions, obtaining medical histories, or performing physical exams or diagnostic testing, he issued hundreds of prescriptions every day. Those prescriptions were invalid and illegal under federal law because they were not based on true doctor-patient relationships. In an effort to recruit small independent pharmacies to fill those prescriptions, Smith, aided by others, misrepresented the nature of his business.

In early 2005, the U.S. Drug Enforcement Administration (“DEA”) issued a directive to pharmacies throughout the United States, warning them that “It is illegal to receive a prescription for a controlled substance without the establishment of a legitimate doctor/patient relationship, and it is unlikely for such a relationship to be formed through Internet correspondence alone.” In response to that directive, a number of pharmacies contacted Xpress Pharmacy Direct, indicating

(MORE)

they would cease filling drug orders for the company unless they were assured the online business was legal. Smith answered those concerns with a letter, under the signature of Dr. Mach, falsely stating that Xpress Pharmacy Direct dispensed controlled substances based on a legitimate doctor-patient relationship and, thus, was not operating an illegal online pharmacy as described in the DEA directive.

Trial evidence also showed that Smith used aliases and alternative business names to conceal and disguise from others, such as credit card company officials and law enforcement investigators, the true nature of his business. Moreover, at least one corporate entity, Rxorderfill.com, Inc., was established for that same purpose. Multiple bank accounts were opened in the name of that entity at Commerce Bank, headquartered in New Jersey. Those accounts were used to launder the proceeds of Smith's illegal business. Specifically, money paid to Xpress Pharmacy Direct for controlled substances and other prescription drugs was credited to the Rxorderfill.com accounts. Then those funds were wired to bank accounts Smith maintained here in Minnesota. The funds were used to pay business expenses, thereby furthering the illegal operations of Xpress Pharmacy Direct.

Between January of 2004 and May of 2005, Smith was responsible for the distribution of more than two million units of hydrocodone-based Schedule III controlled substances. Moreover, he was responsible for sales of Schedule III controlled substances totaling approximately \$24 million. Government authorities executed search warrants and shut down Xpress Pharmacy Direct in the spring of 2005. After that date, Smith took steps to establish a new online pharmacy, which was nothing more than a continuation of Xpress Pharmacy Direct. The new online pharmacy was to be serviced by new web sites and a telemarketing call center located in the Dominican Republic.

(MORE)

Upon learning of today's sentence, Terry Vermillion, Director of the FDA Office of Criminal Investigations, said, "The FDA's Office of Criminal Investigations is committed to keeping the public safe from those who facilitate the abuse of prescription drugs purchased over the Internet. Those who illegally sell medicines over the Internet operate without regard for public safety or concern for their customers."

Dr. Philip S. Mach, the physician who issued online prescriptions for Xpress Pharmacy Direct, was earlier sentenced to fifteen months in federal prison after pleading guilty to one count of conspiracy to distribute controlled substances and one count of unlawful distribution of a controlled substance. He also pled guilty to an Information that was filed in federal court in New Jersey, charging him with drug conspiracy. In addition, Mach agreed to forfeit the profits he made from his online pharmacy work and surrender his DEA-controlled drug distribution license.

On November 15, 2006, Darrell Arden Griep, an employee of Xpress Pharmacy Direct and a co-defendant in this case, entered a plea of guilty to one count of conspiracy to distribute controlled substances and one count of unlawful distribution of a controlled substance. Griep was sentenced earlier today to three years of probation. Three others involved in this case, including Ronald Miller, Alton Scott Poe, and Bernardette Hollis, also pled guilty to related charges. This morning Hollis was sentenced to one year of probation, and Poe was ordered to serve six months in prison and six months of home confinement. Miller is scheduled for sentencing tomorrow.

Co-defendants Bruce Jordan Lieberman, age 45, of Farmingdale, New York, and Daniel Spivey Adkins, age 37, of St. Paul, Minnesota, were acquitted of all charges. Each man had been charged with one count of conspiracy to distribute and dispense controlled substances, three counts

(MORE)

of unlawful distribution of a controlled substance, and three counts of introduction of misbranded drugs into interstate commerce. Lieberman also had been charged with one count of conspiracy to commit money laundering.

Smith's sentencing included an enhancement for conspiring to kill a witness in this case and for obstructing justice.

This case was the result of an investigation by the Federal Bureau of Investigation; the Internal Revenue Service, Criminal Investigation Division; and the United States Food and Drug Administration, Office of Criminal Investigation. The Drug Enforcement Administration and the U.S. Postal Inspection Service also assisted in the investigation. Assistant United States Attorneys Nicole A. Engisch and Elizabeth C. Peterson prosecuted the case.

###